

**BCI Growth & Innovation Foundation,  
Geneva**

**Report of the Independent Auditor on  
the financial statements for the year  
ended March 31, 2021**

Report of the independent auditor  
to the Board of the Foundation of  
BCI Growth & Innovation Foundation, Geneva

As independent auditors, we have audited the financial statements (statement of financial position, statement of income and expenditures and notes) of BCI Growth & Innovation Foundation, Geneva, for the year ended March 31, 2021.

#### *Board of the Foundation's Responsibility*

The Board of the Foundation is responsible for the preparation of the financial statements in accordance with Swiss law and the charter of the foundation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of the Foundation is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements for the year ended March 31, 2021 comply with accounting, valuation and presentation principles as stipulated by Swiss law, applicable to the preparation of financial statements and the charter of the Foundation.

Finally, we draw your attention to the fact that the approval of the financial statements was not done within the legal deadline of 6 months following the balance sheet date. The Council attributes this to the delays caused by the current pandemic.

RSM Audit Switzerland SA

Jeremy Howarth  
Audit expert  
Auditor-in-Charge

Meltem Kulak

Geneva, October 26, 2021

Encl: Financial statements (statement of financial position, statement of income and expenditures and notes)

**BCI Growth and Innovation Foundation, Geneva**  
**Statement of Financial Position as of March 31, 2021**  
(In '000 EUR)

	Notes	2021	2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3.1	7'148	568
Accounts receivable		911	2'202
<i>Receivables due from implementing partners</i>		1	5
<i>Receivables due from BCI</i>	3.4	910	2'197
Prepaid expenses and accrued income		668	576
<i>Prepaid expenses</i>	3.2	657	567
<i>Accrued income</i>		11	8
<b>Total current assets</b>		<b>8'727</b>	<b>3'345</b>
<b>Total assets</b>		<b>8'727</b>	<b>3'345</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable		351	27
Accrued expenses	3.3	280	351
Deferred income		6'413	1'197
<b>Total current liabilities</b>		<b>7'044</b>	<b>1'574</b>
<b>Total liabilities</b>		<b>7'044</b>	<b>1'574</b>
<b>Capital and funds</b>			
Foundation capital		46	46
Funds		1'637	1'725
<b>Total capital and funds</b>		<b>1'683</b>	<b>1'771</b>
<b>Total liabilities and capital</b>		<b>8'727</b>	<b>3'345</b>

The accompanying notes are an integral part of these financial statements.

**BCI Growth and Innovation Foundation, Geneva**  
**Statement of income and expenditure for the year ended March 31, 2021**  
(In '000 EUR)

	Notes	2021	2020
Contributions from BCI	3.4	6'293	8'350
Income from grants	2 - 3.5	2'471	2'094
<b>Total income</b>		<b>8'764</b>	<b>10'444</b>
Contributions to projects	3.6	8'360	9'986
Country development and innovation projects	3.6 - 3.7	405	411
Operating expenses	3.8	86	88
<b>Total expenses</b>		<b>8'852</b>	<b>10'484</b>
<b>Result for the year</b>		<b>(88)</b>	<b>(40)</b>
Funds brought forward		1'725	1'766
<b>Funds at end of year</b>		<b>1'637</b>	<b>1'725</b>

The accompanying notes are an integral part of these financial statements.

**BCI Growth and Innovation Foundation, Geneva**  
**Notes to the financial statements for the year ended March 31, 2021**  
**(In '000 EUR)**

**Note 1 - General Information**

The Better Cotton Growth and Innovation Foundation (hereafter "GIF" or the "Foundation") is a foundation incorporated in Geneva in May 2016 under Article 80 et seq. of the Swiss Civil Code. The GIF secretariat is in Geneva, Switzerland. The GIF's main funder is Better Cotton Initiative a member's association also based in Geneva.

The Foundation's purpose is to make global cotton production better for the people who produce it and better for the environment it grows in. The GIF has a global project portfolio. The fund supports better cotton projects in several countries, including China, India, Pakistan, Mozambique, Turkey and Mali.

The focus of the Foundation is field-level – investment in more sustainable farming practices, better training and capacity building, more efficient data collection, and research to benefit farmers and the environment.

**Note 2 - Key accounting and valuation principles**

*Principles of financial reporting*

The present annual financial statements have been established in compliance with the principles of Swiss law, with the articles relating to commercial accounting and the presentation of the financial statements (Art. 957 to 962 CO).

*Basis of preparation and foreign exchange translation*

The accounting records of the Foundation are kept in EURO, the currency in which most of its transactions are concluded. Transactions in other currencies have been translated into EURO during the year at rates prevailing when the transactions arose.

*Cash and cash equivalents*

The cash and current assets with a stock exchange price item included cash holdings, bank deposits. They are recorded at their nominal value.

*Income from donors and grants*

The final beneficiaries of Fund activities are cotton farmers, cotton farm workers, cotton communities and the environment.

The BCI Brand and Retail Members contribute to the Better Cotton Initiative, Geneva ("BCI") a volume-based fee ("VBF"). These fees are restricted to be used for field-level activities. This fee is based on the volume of Better Cotton sourced by retailer brand members, which are recorded on the Better Cotton (online) Platform.

BCI utilises some of these fees for training endorsed partners and for field-level activities, such as the delivery of assurance and verification and collecting and analysing data on farm-level results. The remainder of the fees are donated to the GIF.

The GIF encourages funded partners to obtain matched funding. As a result of such matched funding, the Fund can increase the capacity of its portfolio, which also ensures that implementing partners are invested in the success of the programme. This approach aims to make projects cost-efficient, economically viable and scalable.

**BCI Growth and Innovation Foundation, Geneva**  
**Notes to the financial statements for the year ended March 31, 2021**  
**(In '000 EUR)**

**Note 2 - Key accounting and valuation principles**

*Income from donors and grants (cont'd)*

In addition to the BCI contribution to GIF, public and private funders contribute funding through different channels: directly to the GIF, via BCI or directly to partners. These partners are required to implement projects following the Better Cotton Principles & Criteria.

*Contributions to projects*

The Better Cotton GIF has three directors who are members of the Executive Group of BCI. The GIF is advised by two committees described below. IDH, The sustainable Trade Initiative, acts as both the official Fund Manager and an important funder. See note 4.4 about the future change of fund manager.

Representatives from IDH and BCI form the Better Cotton GIF Secretariat which proposes and implements the Better Cotton GIF strategy, manages and processes applications and promotes knowledge sharing.

BCI Members who meet the representation criteria are invited to nominate themselves to join the Better Cotton GIF committees and participate in developing its investment strategy. Two multi-stakeholder committees support the Foundation's annual investment programme:

**The Buyer and Investor Committee (BIC)** links supply and demand and proposes new strategic initiatives. In season 2020 2021, BIC members included representatives from: adidas, BESTSELLER, C&A, Decathlon, GAP Inc., GIZ, H&M, IKEA, Laudes Foundation, Levi Strauss & Co., M&S, Nike Inc., Tommy Hilfiger, VF Corporation, BCI and IDH

**The Field Innovation and Impact Committee (FIIC)** oversees the annual GIF application process. It approves Fund investment allocation (for capacity building projects and programmes delivered by BCI Implementing Partners and innovation and learning projects). In season 2020-21 FIIC members included representatives from the following organisations: IDH, BCI, adidas, C&A, Pesticide Action Network, Laudes Foundation and GIZ

The annual GIF investment budget for the year is set in December of the previous year based on the anticipated Volume Based Fee (VBF) receivable. This budget is formally approved by the BCI Council in the following months of January or February each year.

**BCI Growth and Innovation Foundation, Geneva**  
**Notes to the financial statements for the year ended March 31, 2021**  
**(In '000 EUR)**

**Note 3 - Information on Statement of Finance Position and Statement of income and expenditure**

**3.1 Cash and cash equivalents**

	<u>20 - 21</u>	<u>19 - 20</u>
Denominated in Euro	7'148	568
<b>Total</b>	<b><u>7'148</u></b>	<b><u>568</u></b>

**3.2 Prepaid expenses**

	<u>20 - 21</u>	<u>19 - 20</u>
Projects contributions	655	564
Country development and innovation projects	2	3
<b>Total</b>	<b><u>656</u></b>	<b><u>567</u></b>

**3.3 Accrued expenses**

	<u>20 - 21</u>	<u>19 - 20</u>
Projects contributions accrued	192	309
Country development and innovation projects	17	-
Operating expenses accrued	71	42
<b>Total</b>	<b><u>280</u></b>	<b><u>351</u></b>

**3.4 Contributions from BCI**

During the financial year 2020 - 2021, BCI contributed to GIF Euro 11'793k in total. Euro 6'293k is allocated for the investment activity of 20 - 21, whereas Euro 6'410k is accounted as deferred income for future year funding projects. Euro 910k remained as receivable from BCI for 20 - 21 accounts and was subsequently collected after year-end.

In April 2020, BCI anticipated that its donations to the Foundation may need to be reduced. BCI was concerned that its field-level income from retailer brand members (Volume Based Fee) would be lower than budgeted or delayed as COVID impacted its members in the apparel and home textile sectors. In a situation with reduced income, the fund allocations approved in January 2020 would not be possible and the budget was revised accordingly. The Field Innovation and Impact Committee (FIIC) approved a reduction in funding by 30% from the amounts previously approved in January 2020 and Implementation partners were asked to revise their plans for the season and update their budgets according to this guideline.

All through season 2020-21, the effects of the pandemic led to significant adaptations in the field work of BCI and its Implementation partners. Mobility restrictions meant that face to face training was not an option. Most in-person activities planned by IPs could not be carried out. Whenever possible, activities shifted to virtual (e.g. use of WhatsApp groups, virtual trainings, mailing formative brochures etc.). Still, the reduction in the number of face to face activities and consequent lower costs, explains why IPs did not utilize the full funds that they were allocated. The bulk of non-staff costs for IPs relate to travel and training costs.



**BCI Growth and Innovation Foundation, Geneva**  
**Notes to the financial statements for the year ended March 31, 2021**  
(In '000 EUR)

**Note 3 - Information on Statement of Finance Position and Statement of income and expenditure**

**3.5 Income from grants**

	<u>20 - 21</u>	<u>19 - 20</u>
IDH	1'900	1'500
Laudes Foundation	517	500
DFAT	54	94
<b>Total</b>	<b><u>2'471</u></b>	<b><u>2'094</u></b>

**3.6 Contributions to projects**

20 - 21 BC GIF contributions to project per country	Contracted for 20 - 21	Actual spending from IP	Expenses recognised at GIF prior year 19-20	GIF Contributions 20-21	Prepaid for 21-22	Accrued expenses 20-21
India	5'307	4'894	-	4'894	342	141
Pakistan	3'478	3'156	-	3'156	257	11
China	298	297	(8)	289	3	1
Turkey	216	146	-	146	32	-
Mozambique	47	49	(76)	(26)	-	39
Mali	-	-	(99)	(99)	20	-
<b>Total</b>	<b>9'346</b>	<b>8'544</b>	<b>(183)</b>	<b>8'360</b>	<b>655</b>	<b>192</b>
Country development and innovation projects	560	411	-	405	2	17
				<b>8'766</b>	<b>656</b>	<b>209</b>

19 - 20 BC GIF contributions to project per country	Contracted for 19 - 20	Actual spending from IP	Expenses recognised at GIF prior year 18-19	GIF Contributions 19-20	Prepaid for 20-21	Accrued expenses 19-20
India	5'593	5'507	(113)	5'393	199	-
Pakistan	3'998	3'639	-	3'639	359	-
China	538	533	-	533	6	7
Turkey	230	230	-	230	-	-
Mali	99	99	-	99	-	79
Mozambique	70	91	-	91	-	222
<b>Total</b>	<b>10'529</b>	<b>10'099</b>	<b>(113)</b>	<b>9'986</b>	<b>564</b>	<b>309</b>
Country development and innovation projects	616	411	-	411	3	-
				<b>10'396</b>	<b>567</b>	<b>309</b>

**BCI Growth and Innovation Foundation, Geneva**  
**Notes to the financial statements for the year ended March 31, 2021**  
**(In '000 EUR)**

**Note 3 - Information on Statement of Finance Position and Statement of income and expenditure**

**3.7 Country development and innovation projects**

In the season 2020-21, the Better Cotton GIF funded the following Innovation projects:

**Learning Management System for Field Facilitators in India**

Development, launch and roll-out of an online learning tool to support skill development among Field Facilitators. This assignment is partly funded by additional funding by the Laudes Foundation.

**Better Cotton Innovation Challenge**

Innovation competition launched to identify innovative solutions that could transform the way cotton is produced today and enable BCI to achieve scale in a more efficient way – with higher learning and adoption outcomes. The winner of the competition was announced in November 2020 and a pilot is taking place in India in 2021.

**Soil health project with University of Arkansas**

Research to evaluate the long-term responses of cotton production with cover cropping and little tillage versus no cover cropping and conventional tillage practices.

**Israel Cotton Board**

Research and assessment of the effectiveness of multifunctional vegetation buffers (MFVBs) as a means to mitigate the effects of agricultural runoff and improve the functionality of the agroecological systems on cotton farms

**Female co-farmers integration in India (Sattva)**

To strengthen the participation of female co-farmers within BCI's Quality Assurance Program to drive outcome. Project designed by Sattva and piloted by Lupin Foundation.

**3.8 Operating expenses**

	<u>20 - 21</u>	<u>19 - 20</u>
Financial expenses	8	4
Audit costs	49	47
Other costs	30	2
Bad debt provision	-	34
<b>Total</b>	<u><b>86</b></u>	<u><b>88</b></u>

Other costs 2020/2021 include tax charges of some Euro 26k incurred for disbursements to Chinese implementing partners.

Bad debt provision 19-20 relates to funds forwarded to Implementing Partners who have had financial difficulties. These amounts were determined as non-recoverable.

**BCI Growth and Innovation Foundation, Geneva**  
**Notes to the financial statements for the year ended March 31, 2021**  
**(In '000 EUR)**

**Note 4 - Other information**

**4.1 Headcount**

The Foundation has no employees. Fund management duties are performed by IDH, a strategic partner of BCI, at no cost to the Foundation. These services are delivered as part of a partnership agreement between BCI and IDH. The associated Service Level Agreement was updated in 2021 and ends on 31 December 2021. See note 4.4 regarding new fund management.

**4.2 Tax-exempt status**

GIF is exempt from Swiss cantonal income tax and capital tax as well as Swiss direct federal tax, in accordance with a decision from the Department of Finance, Canton of Geneva, dated 21 October 2016. The exemption of federal tax is an official recognition by the Swiss federal authorities that GIF is a 'foundation of public interest'.

**Note 4 - Other information**

**4.3 Swiss Franc presentation**

GIF maintains its accounting records in Euros. The key figures below have been converted into Swiss Franc (CHF), for information purposes only. Following rates are used for the conversion Euro - 1.1050 CHF (19 - 20: 1.0580).

	<u>20 - 21</u>	<u>19 - 20</u>
Total assets	9'643	3'539
Capital of the Foundation	50	48
Total income	9'684	11'050
Total expenditure	9'782	11'092
Funds	1'809	1'826

**4.4 Subsequent events**

**Fund Management**

After year end, the current fund managers IDH gave notice that they will no longer act in the role of fund manager when the current Service level Agreement ends on 31 December 2021. The BCI secretariat will appoint an internal team to take over the roles and responsibilities of fund management after this date. IDH will continue to support the GIF fund management during 2022 to ensure a smooth transfer of operational activities.